

May 20, 1998

## WTO Initiative on Global Electronic Commerce

### Declaration on Electronic Commerce

On Wednesday, May 20, the second session of the Ministerial meeting of the World Trade Organization (WTO) in Geneva, Switzerland, approved a declaration regarding global electronic commerce. The declaration signals the willingness of the 132 WTO ministers to take the first step in creating the predictable and stable environment that is vital to the growth of electronic commerce.

The declaration includes two elements:

- The first element is a commitment by governments to not impose customs duties on electronic commerce. The achievement of this first element marks the early completion by the U.S. Trade Representative, Ambassador Charlene Barshefsky, of the task assigned to her by President Clinton in July 1997, upon the issuance of the White House's report, "A Framework for Global Electronic Commerce."
- The second element is the setting up of a work program to examine the wide range of trade issues that are related to electronic commerce.

The declaration issued in Geneva does not affect tax policy, Internet governance, or customs policy with respect to goods that are ordered electronically and delivered physically. The United States does not consider tax policies and Internet governance to be trade issues, except to the extent that they are inconsistent with existing WTO rights and obligations.

At the next Ministerial session (in the United States in late 1999), Ministers will decide on the extension of the declaration. Over the next 18 months, the United States will urge countries to make the declaration legally binding by including it in the appropriate schedules of their WTO commitments.

### Background

**Internet and Electronic Commerce.** The Internet will improve the lives of U.S. citizens and people all over the world by connecting them with schools, libraries, museums and clinics, as well as loved ones and commercial enterprises. To make these connections, the Internet needs high speed, high quality broadband networks, which do not exist in either developed or developing countries. The investment needed to build these networks is bigger than any government can afford. Therefore, it will have to come from private sources, which will invest if it is profitable. But, companies will no longer be able to charge monopoly prices for simple voice telephone calls, as a result of agreement last year in the WTO to include commitments on basic telecommunications in the schedules of Members' services commitment. Thus, profits will have to come from providing value-added services and information, which is the heart of electronic commerce.

**Growth of Electronic Commerce.** The Ministers' declaration on electronic commerce is taken in recognition of the phenomenal growth of the Internet: it is estimated that Internet traffic doubles every 100 days and that worldwide 100 million people are using it. Past changes in the electronic world took longer to achieve: in the United States, it took radio 38 years to surpass 50 million users; it took television 13 years ; but, it took the Internet only FOUR YEARS to reach 50 million users. This year \$8 billion will be spent on the Internet and in 2002, it is estimated that \$327 billion will be spent over the Internet on goods, information and services.

**Electronic Commerce Creates Jobs.** The growth of the Internet brings with it new jobs, and better paying jobs. In the United States, in 1996, 7.4 million people worked in information technology industries and information technology-related occupations. The positive effect on jobs is particularly apparent in the software and services industries, in which employment between 1985 to 1996 doubled to 1.2 million with an average annual wage of \$56,000; employment in these industries is expected to double again by 2002.

**Furthering the President's Initiative.** The United States looks forward to future work in the WTO that reaffirms the principles articulated in the President's Framework report, particularly ensuring that the private sector has a leadership role and that governments avoid undue restrictions and support a predictable, minimalist, consistent and simple legal environment for electronic commerce.